



1959

Annual Report

NATIONAL BISCUIT COMPANY



THE YEAR IN BRIEF

	1959	1958
Net sales	\$429,000,000	\$413,300,000
Earnings before income taxes . .	51,200,000	46,400,000
Net income	24,500,000	22,100,000
Net income per dollar of sales .	5.7 cents	5.3 cents
Net income per share common stock	3.57	3.18
Dividends declared		
Preferred stock—7 % . .	1,700,000	1,700,000
Common stock	15,300,000	14,100,000
Per share of common stock .	2.40	2.20
Earnings retained in the business	7,500,000	6,300,000
Cost of plant and equipment additions	8,400,000	9,700,000
Current assets	112,200,000	99,000,000
Current liabilities	46,000,000	44,500,000
Working capital	66,200,000	54,500,000

NATIONAL BISCUIT COMPANY

425 Park Avenue, New York 22, N. Y.

Annual Report for 1959

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THE ANNUAL MEETING OF SHAREHOLDERS will be held at 2 P.M., April 13, 1960, in the Grand Ballroom of the Hotel Roosevelt, 45th Street and Madison Avenue, New York, N. Y. Shareholders who cannot attend the meeting are urged to exercise their right to vote by proxy. A proxy form, proxy statement and return envelope will be sent to shareholders on March 8, 1960.

NATIONAL BISCUIT COMPANY

425 Park Avenue, New York 22, N. Y.

BOARD OF DIRECTORS

CHARLES C. AUCHINCLOSS	DUDLEY W. FIGGIS	LIVINGSTON PLATT
LEE S. BICKMORE	DON G. MITCHELL	CARROL M. SHANKS
WILLIAM H. COLVIN	GEORGE A. MITCHELL	PERRY M. SHOEMAKER
GEORGE H. COPPERS	WILLIAM H. MOORE	RUSSELL M. SHULTZ
JESS H. DAVIS	ALEXANDER C. NAGLE	ROY E. TOMLINSON

EXECUTIVE COMMITTEE

CHARLES C. AUCHINCLOSS	GEORGE H. COPPERS	LIVINGSTON PLATT
LEE S. BICKMORE	ALEXANDER C. NAGLE	ROY E. TOMLINSON

OFFICERS

Executive Department

GEORGE H. COPPERS	President
LEE S. BICKMORE	Executive Vice President
GEORGE A. MITCHELL	Senior Vice President
RUSSELL M. SHULTZ	Senior Vice President

Vice Presidents

NILE E. CAVE	Sales
HARRY T. EGGERT	Personnel Relations
C. EUGENE LAIR	Purchasing
WILLIAM E. MACKAY	General Counsel
EDWARD A. OTOCKA	Operations
CHARLES S. WEBSTER	Finance

Divisional Vice Presidents

ROY K. KELLEY	New Products
THOMAS K. KRUG	Bread
FRANK K. MONTGOMERY, JR.	Special Products

KENNETH M. HATCHER	Secretary and Treasurer
ROBERT M. SCHAEBERLE	Controller

Transfer Agent: Morgan Guaranty Trust Company of New York
140 Broadway, New York 15, N. Y.

Registrar: The First National City Bank of New York
55 Wall Street, New York 15, N. Y.



TO THE SHAREHOLDERS

NABISCO had the finest year in its corporate history in 1959. Both sales and earnings showed substantial gains over 1958 and in each case reached record levels. Sales came back from a slight decline the previous year and we were encouraged by the increase in the ratio of profits per sales dollar. The improved earnings picture resulted in an extra common dividend of 30 cents per share at the close of the year and the regular quarterly payments on the common stock have been increased from 50 cents to 60 cents starting in January, 1960.

The following pages of this report review our operations and give an account of our financial position at the close of 1959. Rather than restate these highlights here, it might be helpful to outline NABISCO's thinking and direction as we head into a new decade.

The food industry is essential to the prosperity of the United States. More than one-quarter of our national income as consumers is spent on food and related products. The industry has stability and, at the same time, a built-in growth factor which makes for a consistently favorable future. As one of the larger companies in the industry, NABISCO expects to share in this prosperity. But we feel that to fully realize our potential, we must expand into other food lines and products to augment our basic line of baked goods, both in this country and abroad.

Our research program is concentrating on new product development. We are steadily on the lookout for diversified lines obtainable through acquisition. We believe that only by the active pursuit of expansion in the food field can we continue to improve the return to our shareholders and provide better job opportunities for our employees.

A handwritten signature in dark ink, appearing to read "J. H. Hopper". The signature is fluid and cursive, with a horizontal line drawn underneath it.

March 7, 1960

President

Sales

The Company's net sales reached \$429.0 million in 1959. This was an increase of 3.8 per cent over 1958 results and represents the highest total in physical tonnage as well as dollar sales achieved in our 62 years of operation.

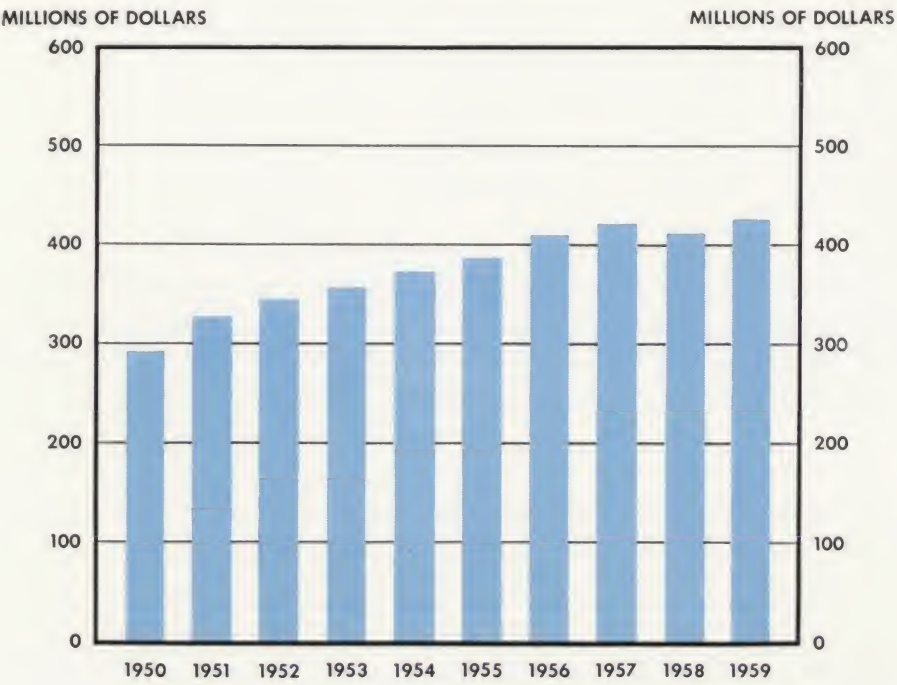
It was encouraging to note that our sales volume improved as the year progressed. Substantial increases were recorded over the previous year's sales in each of the last three quarters, with results in the final quarter surpassing those of any other three-month period in our history.

Since the prices of our products remained generally stable throughout the year, the gain in 1959 sales dollars represents a substantial increase in tonnage volume over the previous year.

The increases were due primarily to strong gains by several of our large volume items and to the success of new varieties introduced early in the year. General improvement was noted in other product lines and our foreign subsidiaries enjoyed a good year.

During 1959 the Company increased its use of television to the point

Net Sales



where this medium now accounts for the largest share of our advertising expenditures. In the current period NABISCO is sponsoring, or co-sponsoring, 12 network television programs and is utilizing this extended coverage to promote a greater number and wider variety of our products than ever before.

In this period of intense competition throughout the entire food industry, we have had to step up our entire marketing program. The increased use of television is one example of this. Expanded product and consumer research activities have also been undertaken. In 1959 a General Advertising Department was established to increase the efficiency of this phase of our marketing program. With the growth of our several divisions and subsidiaries, both in the United States and abroad, a number of advertising programs have developed. The new department has the task of coordinating these programs, pooling resources and information, and ensuring greater flexibility for the Company's consolidated advertising activities.

Net Sales by Quarters in Millions of Dollars

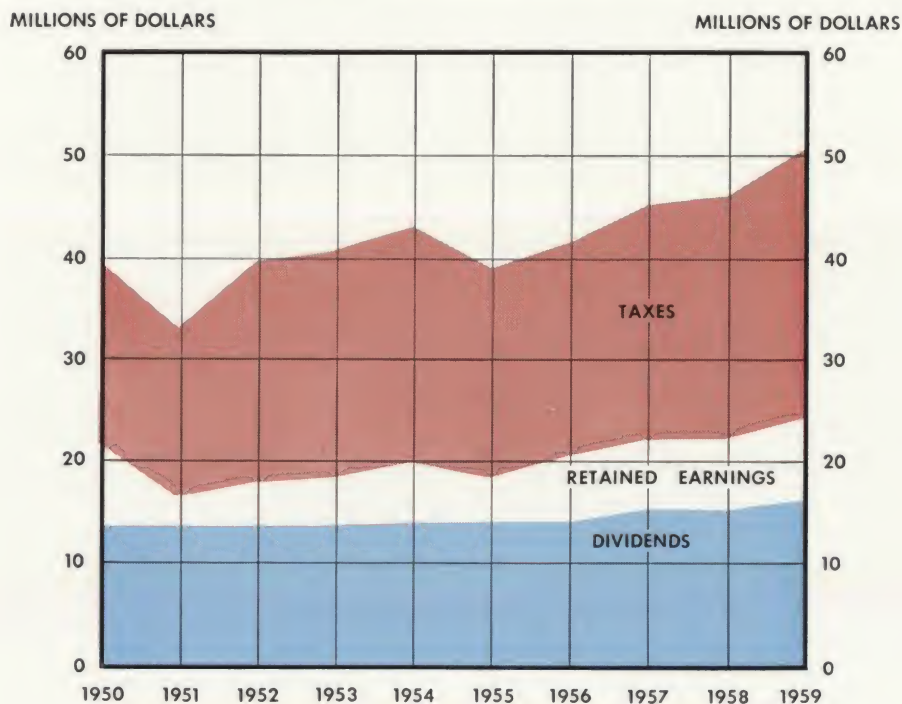
<i>Quarter Ended</i>		<u>1959</u>	<u>1958</u>	<u>1957</u>
March	31	\$101.5	\$101.7	\$102.1
June	30	106.5	103.4	105.7
September	30	107.1	102.3	108.5
December	31	<u>113.9</u>	<u>105.9</u>	<u>108.2</u>
Total		\$429.0	\$413.3	\$424.5

Earnings

This past year saw our net earnings reach a record high of \$24.5 million. This represented an increase of 11.1 per cent over net income in 1958 and exceeded our previous high by more than a million dollars. Profits in 1959 were equal to \$3.57 per share of common stock as compared with the 1958 figure of \$3.18. Again, the encouraging aspect of this increase is that it results from greater volume during a year which saw little change in the price of our products.

The improvement was due to a number of factors. Increased sales volume and effective reductions in operating costs were the chief contributors. Profits were also helped by the introduction of several new products which found enthusiastic consumer favor and by the fact that

Distribution of Income Before Taxes



our newest biscuit and cracker plant, at Fair Lawn, New Jersey, was in full operation for the entire year. Production economies realized at this and the Company's other modern bakeries have resulted in raising the ratio of net income per sales dollar substantially in the past year.

Research

A number of actions were taken in 1959 to further the Company's research program. Our interests in research cover a wide range of subjects and include basic research as well as the development of new products and experimental work on new methods and equipment. Research expenditures have risen in pace with the importance of broadening our product line and developing items which will appeal to a consuming public ever on the lookout for new tastes and flavors. These expenses will probably continue to increase but we believe the Company makes no investment more important to its future growth.

The Fair Lawn Research Center, completed less than two years ago, is being further equipped to provide additional facilities. Laboratory space

for the Experimental Mixing Division will be increased and will house a new unit formed to do basic research in cereal grains. This work has previously been done in part at our several cereal bakeries but will now be concentrated at a single location and with improved facilities.

Also at Fair Lawn the Mechanical Development Division completed the design of a fully automatic wrapping machine which has been installed for the new FIG NEWTONS CAKES production unit at the Fair Lawn Bakery. This equipment, which entails an entirely new concept of product handling, was built and installed by the Company's Engineering Department and went into operation at the end of the year.

New Products

In the country's food markets today, a broad selection of new products is the lifeblood of both manufacturer and retail store operator. The large supermarkets report they are now offered over 6,000 new products every year by manufacturers and processors catering to a consuming public which has demonstrated its eagerness for something new and different.

A significant step taken this past year was the creation of a New Products Division. Headed by a vice president, this division is staffed with experienced research, production and marketing personnel. It is designed to investigate the whole new product area, including items which could be added through acquisition. Establishment of this group places the responsibility for new product activity with an organization assigned this work as a primary task.

The creation of a new product is a lengthy and painstaking process. Our Experimental Baking Division, for example, will make some 700 to 800 trial runs of new formulas each year. Most of these ideas prove to be unworkable and are discarded; perhaps 10 per cent of the experiments show enough promise to warrant further trials. Finally, out of these starts, some 10 to 20 products are selected for consumer testing. The items surviving this scrutiny are, of course, even fewer in number. Some of these catch the public fancy and become solid members of the Nabisco line. Others enjoy some initial success but do not retain their popularity and are eventually discontinued. Still others encounter a stone wall of consumer indifference and are dropped quickly.

New products introduced in 1959 are listed below:

VEGETABLE THINS CRACKERS — a crisp snack cracker with the flavor of fresh garden vegetables.

SALT-TANG SNACK STICKS — a unique, stick-shaped product containing caraway seeds and salted generously.

PECAN DROP COOKIES — a round, shortbread-type cookie with a distinctive pecan flavor.

CHEESE-ON-RYE SANDWICH — a cheddar cheese filler between two RYE THINS CRACKERS, an addition to our NAB vendor packet line. The NAB line is being continually expanded and now contains a salted peanut packet in addition to numerous cracker and cookie items.

The MILLBROOK brand name, adopted for all Bread Division products, has been extended to all of our bread bakeries. In addition, a new specialty loaf, MONKS' BREAD, produced and sold under special license, is being introduced in a number of markets served by our bread bakeries.

Varieties which received major packaging changes in 1959 include:

OREO CREME SANDWICH — long one of our foremost cookie products, is now marketed in a large one-pound cellophane bag and has an improved creamier filling.

PREMIUM SALTINE CRACKERS — a two-cracker packet of this Nabisco leader now supplements our individual service packs for restaurants, hotels and institutions.

DROMEDARY CHOPPED DATES — a convenience package of DROMEDARY dates, chopped and sprinkled with powdered sugar for ease in home use.

DROMEDARY FRUITS AND PEELS — now available in cellophane packages to augment the line of glass jars.

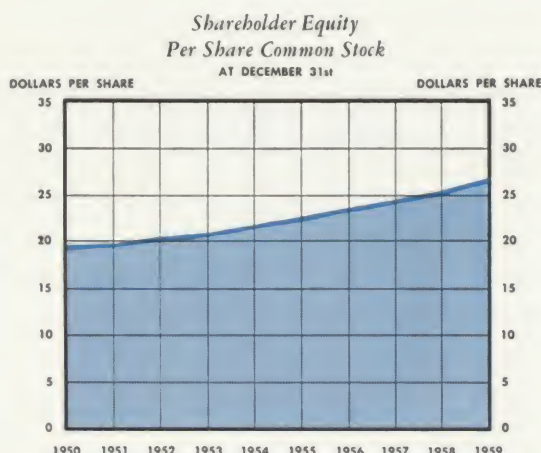
DROMEDARY POUND CAKE MIX — marketed in a large 17-ounce package, this mix makes a much larger cake at a substantial saving to the consumer.

Shareholders and Dividends

At the close of 1959 there were 75,834 owners of shares of Nabisco preferred and common stock. The number of shareholders has increased approximately 20 per cent since 1950, a broadening of public ownership which is encouraging to your management.

The equity of the common stock shareholders increased in 1959 to \$171.1 million, or \$26.80 per share, compared with \$163.7 million, equal to \$25.63 per share, at the end of 1958.

The Company's unbroken record of dividend payments, which began in 1899, continued in 1959. Only 45 of the more than 1,100 companies presently listed on the New York Stock Exchange have as long a continuous dividend record. The regular \$7 per share dividend on the preferred stock and quarterly dividends of 50 cents per share on the common stock were paid during the year. An extra dividend of 30 cents per share paid in



December brought total 1959 common stock payments to \$2.30.

On October 26, 1959, the Board of Directors increased the regular quarterly dividend on the common stock to 60 cents beginning January 15, 1960, making a total of \$2.40 declared during 1959. Total dividends declared on both preferred

and common stock last year amounted to \$17.0 million, an increase over the \$15.8 million declared in 1958.

Capital Expenditures

During 1959 capital expenditures totaled \$8.4 million, as compared with the 1958 figure of \$9.7 million. With the exception of a new bread bakery constructed at Montreal by a Canadian subsidiary, no large-scale construction was begun in 1959 and none is planned for 1960.

The year 1959 did, however, see the completion of a number of projects designed to expand and improve production capacity and efficiency. These plant improvements were carried out in bakeries producing biscuits and crackers, cereals, pretzels and bread products.

Two new ovens were installed at our Chicago Bakery and a modern band oven went into operation at our Niagara Falls, N. Y., SHREDDED WHEAT Bakery which will improve the efficiency of that plant. A ninth band oven went into operation at the new Fair Lawn Bakery for the manufacture of FIG NEWTONS CAKES.

An entirely new mixing and baking process was installed at our Syracuse, N. Y., Bread Bakery and is being studied with a great deal of interest. The process has cut production time appreciably and delivers a bread of cake-like texture and appearance which we feel has considerable potential.

We estimate capital expenditures in 1960 will total about \$11 million. The bulk of these costs will develop from the installation at many of our production units of newly designed equipment and methods which have proved so beneficial at our newest bakeries.



Some of the principal Nabisco products in the United States



States, Canada, Great Britain, Venezuela and Mexico.

Working Capital

On December 31, 1959, the Company's net working capital amounted to \$66.2 million, an increase of \$11.7 million from the previous year.

Cash and marketable securities on hand totaled \$45.4 million, a gain of \$10.4 million from our position at the close of 1958. A summary of Changes in Working Capital is shown below and reflects the source and disposition of funds over the last five years:

Changes in Consolidated Working Capital

(Thousands of Dollars)

	<u>1959</u>	<u>1958</u>	<u>1957</u>	<u>1956</u>	<u>1955</u>
Funds provided by:					
Net income	\$24,533	\$22,072	\$22,052	\$20,287	\$18,277
Depreciation (reduces net income but does not represent cash outlay)	11,841	11,943	11,236	10,459	9,545
Disposal of assets no longer needed	<u>5,312[†]</u>	<u>800</u>	<u>610</u>	<u>2,138</u>	<u>514</u>
Total funds provided	<u>41,686</u>	<u>34,815</u>	<u>33,898</u>	<u>32,884</u>	<u>28,336</u>
Funds applied to:					
Dividends declared	17,063	15,785	15,785	14,508	14,508
Additions to plant and equipment	8,423	9,680	21,605	15,740	18,094
Other items (net)	<u>4,562[†]</u>	<u>(62)</u>	<u>1,479</u>	<u>825</u>	<u>1,279</u>
Total funds applied	<u>30,048</u>	<u>25,403</u>	<u>38,869</u>	<u>31,073</u>	<u>33,881</u>
Increase (decrease) in working capital	<u>\$11,638</u>	<u>\$ 9,412</u>	<u>\$ (4,971)</u>	<u>\$ 1,811</u>	<u>\$ (5,545)</u>
Consisting of changes in:					
Cash and marketable securities	\$10,416	\$11,469	\$(3,232)	\$(1,955)	\$(12,970)
Accounts receivable	1,168	(875)	1,925	1,187	1,089
Inventories	1,652	(3,648)	(1,738)	1,088	4,131
Current liabilities	<u>(1,598)</u>	<u>2,466</u>	<u>(1,926)</u>	<u>1,491</u>	<u>2,205</u>
	<u>\$11,638</u>	<u>\$ 9,412</u>	<u>\$(4,971)</u>	<u>\$ 1,811</u>	<u>\$ (5,545)</u>

[†]See note (b) to financial statements on page 19.

Personnel

Wages, salaries and employee benefits amounted to \$141.0 million in 1959, compared with \$137.2 million in 1958. During the year 274 employees qualified for pensions and at the end of the year there were 2,742 former Nabisco employees retired on pensions. Total pension costs were \$5.9 million in 1959.

More than 95 per cent of eligible employees are now participating in the group life insurance program. Since the plan was first offered 34 years ago, \$18.1 million has been paid to employees or their dependents in disability and death benefits. Employees or their dependents also received \$1.5 million in 1959 under the Company's employee benefit and major medical plan. Employees share the costs of both plans with the Company.

The Company's training and development programs continued to expand during the year. These programs are conducted by our management and are supplemented by courses of instruction outside the Company to prepare for present and future requirements for trained and qualified personnel.

International Operations

NABISCO's wholly-owned international subsidiary companies, which presently account for approximately 12 per cent of our total sales and earnings, had a successful year in 1959. The accompanying chart shows the outstanding growth, in both sales and net income, of these Canadian and British subsidiaries in the past ten years.

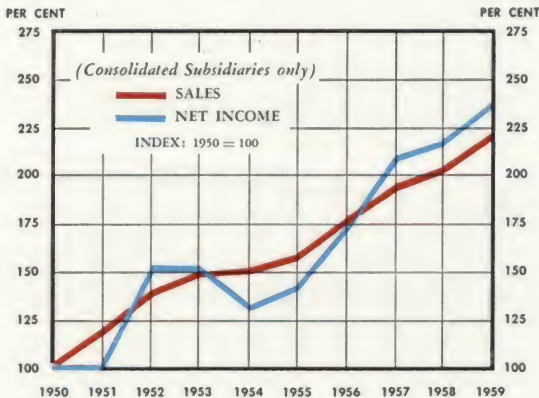
Canada: Our biscuit and cracker subsidiary, Christie, Brown and Company, Limited, introduced a number of new varieties in 1959. The leader of this group was VEGETABLE THINS CRACKERS, the same product which had such an encouraging United States debut this past year.

Christie's Bread, Limited neared the completion of its new bread bakery at Montreal and expects to have this plant in operation by mid-1960. The company also purchased land for a new bread and cake depot at Hamilton, Ontario, which will improve distribution in that area.

Nabisco Foods, Limited enjoyed its largest sales year. The company also broadened its product line with the acquisition of the Matthews-Wells Company of Guelph, Ontario, producers of the popular ROSE BRAND line of pickles, jams and olives. Nabisco Foods will enlarge its production facilities and install new equipment in 1960.

England: Our subsidiary in the United Kingdom, Nabisco Foods Limited, brought out two new cake mix items and a new oat cereal

International Operations Sales & Net Income



in 1959. A new building addition was completed which considerably enlarges production and warehouse facilities and also houses carton printing equipment which is now in operation.

Significant activities of our other international operations during the past year are reviewed briefly below.

Venezuela: Nabisco-La Favorita, C. A., had a good sales year which saw the continued expansion of its list of products. Steadily increasing volume has taxed present physical facilities, and plans are under way to increase production capacity and provide additional warehouse space.

Mexico: A third band oven was installed at Nabisco-Famosa, S. A., to meet growing demand. This company also added to its sales force and increased its delivery truck fleet to provide better service for an expanding territory. Holiday items are popular in Mexico and Nabisco-Famosa introduced a line of specialty assortments in metal containers for the festive year-end season.

Italy: The Company has an agreement with the firm of Motta S. p. A., in Milan, Italy, under which that concern manufactures a number of our products on a royalty basis. Additional Nabisco varieties were added last year and the line will be expanded further in 1960.

Organizational Changes

We regret to announce the death of the following directors and officers of the Company during the past year.

Edward S. Moore, Jr., Chairman of the Executive Committee, died on October 23, 1959. A member of the Board of Directors since 1948, Mr. Moore had served as Executive Vice President of the Company for ten years prior to his election as Executive Committee Chairman a month before his death.

Paul Moore, for many years a member of the Executive Committee, died on December 19, 1959. Mr. Moore, son of one of the founders of National Biscuit Company and himself a founder of Republic Aviation

Corporation, had served on NABISCO's Board of Directors for 42 years.

Albert T. Bullock, Secretary and Treasurer of the Company, died on December 21, 1959. Mr. Bullock joined the Company in 1916 and had held the position of Secretary and Treasurer since 1948.

Other changes in the Board of Directors and officers of the Company which occurred during the year are as follows:

Lee S. Bickmore was elected Executive Vice President and appointed a member of the Board of Directors on September 28, 1959. Later he succeeded Edward S. Moore, Jr., as a member of the Executive Committee. Mr. Bickmore began his service with the Company in 1933 and became Vice President for Sales in 1950. He was elected a Senior Vice President in 1957.

William H. Moore, Chairman of the Bankers Trust Company, was appointed to the Board of Directors on December 21, 1959, to serve the unexpired term of his father, Paul Moore.

Dr. Jess H. Davis, President of Stevens Institute of Technology, was appointed to the Board of Directors on January 25, 1960.

Roy C. Gasser resigned from the Board of Directors in September. A partner in the New York law firm of Gasser & Hayes, he had been a member of the Board since 1937.

William E. MacKay was elected Vice President and General Counsel on December 21, 1959. Mr. MacKay has been with the Company since 1931 and was named General Counsel in 1956.

Charles S. Webster was elected Vice President-Finance on January 25, 1960. Mr. Webster joined the Company in 1933 and was elected Controller in 1948.

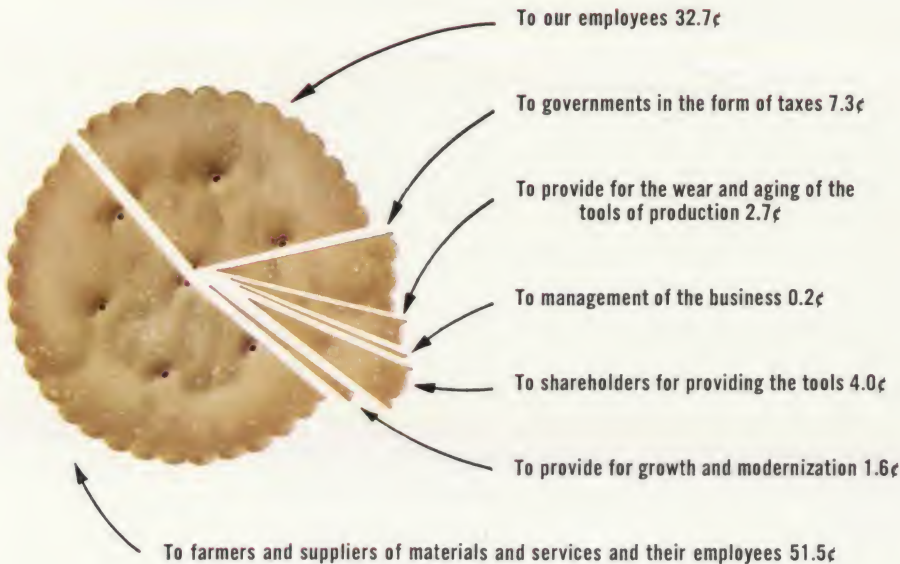
Kenneth M. Hatcher was elected Secretary and Treasurer on January 25, 1960. Mr. Hatcher has been with NABISCO since 1946 and was named Assistant Treasurer in 1955.

Robert M. Schaeberle was elected Controller on January 25, 1960. Mr. Schaeberle came to NABISCO in 1946 and has served as Assistant Controller since 1958.

John A. Hart, Vice President for Traffic, retired on September 30, 1959, after completing nearly 49 years of service with the Company. Edwin F. Mundy, who has been with NABISCO for 29 years, was appointed Director of Traffic, succeeding Mr. Hart.

NATIONAL BISCUIT COMPANY AND CONSOLIDATED SUBSIDIARIES

Each Nabisco Sales Dollar Produced Income:



Summary of Operations — 1959

We received from sale of our products \$428,980,785

We expended for

Raw materials, supplies and services bought from others	221,003,515
Employees' services (wages, pensions, social security taxes, etc.)	140,071,273
Direct taxes, except social security taxes	31,496,091
Estimated wear and tear on plant and equipment, less profit on disposal of fixed assets	11,706,618
Officers' salaries for management of the business	971,016

Leaving profits† which were

Distributed as dividends to the shareholders	\$ 17,062,621
Retained in the business for expansion and modernization	6,669,651

†National Biscuit Company also received \$801,010 interest and miscellaneous income arising from activities not related to the manufacture or sale of its products.

NATIONAL BISCUIT COMPANY AND CONSOLIDATED SUBSIDIARIES

Financial Position

	December 31, 1959	December 31, 1958
Current assets		
Cash	\$ 16,682,752	\$ 20,767,218
Marketable securities (approximately market)	28,733,038	14,232,500
Accounts receivable	14,594,420	13,426,094
Inventories (a)	52,216,850	50,565,070
Total current assets	<u>112,227,060</u>	<u>98,990,882</u>
Less current liabilities		
Accounts payable and accrued expenses	22,397,480	20,864,223
Common dividend payable	3,831,577	3,192,980
Federal and foreign taxes on income	19,819,644	20,393,161
Total current liabilities	<u>46,048,701</u>	<u>44,450,364</u>
Working capital	66,178,359	54,540,518
Investment in foreign subsidiaries, not consolidated	1,440,000	1,440,000
Mortgages receivable (b)	5,442,249	737,422
Prepaid expenses and deferred charges	1,621,028	1,763,591
Plants, real estate, machinery and equipment (c)	121,253,230	129,982,674
Excess of assets over liabilities	<u>\$195,934,866</u>	<u>\$188,464,205</u>
Represented by		
Capital stock, preferred	\$ 24,804,500	\$ 24,804,500
Par value \$100—7% cumulative, noncallable— shares authorized 250,000, issued 248,045		
Capital stock, common	63,859,610	63,859,610
Par value \$10—shares authorized 12,000,000, issued 6,385,961		
Additional paid-in capital	2,593,787	2,593,787
Retained earnings	104,676,969	97,206,308
	<u>\$195,934,866</u>	<u>\$188,464,205</u>

(Notes to financial statements appear on page 19)

NATIONAL BISCUIT COMPANY AND CONSOLIDATED SUBSIDIARIES

Income and Retained Earnings

	1959	1958
Net sales	<u>\$428,980,785</u>	<u>\$413,310,224</u>
Cost of sales	253,485,059	248,202,176
Selling, general and administrative expenses	104,789,885	99,539,762
Depreciation	11,840,833	11,943,001
Taxes (other than federal and foreign taxes on income)	8,598,986	7,941,479
Interest and miscellaneous income (net)	801,010	383,099
Profit on disposal of fixed assets	134,215	313,430
Federal and foreign taxes on income	<u>26,667,965</u>	<u>24,308,441</u>
Total	<u>404,447,503</u>	<u>391,238,330</u>
 Net income	 24,533,282	 22,071,894
Retained earnings January 1	<u>97,206,308</u>	<u>90,919,844</u>
	<u>121,739,590</u>	<u>112,991,738</u>
Preferred dividends declared, \$7.00 per share	1,736,315	1,736,315
Common dividends declared, \$2.40 per share in 1959, \$2.20 per share in 1958	<u>15,326,306</u>	<u>14,049,115</u>
	<u>17,062,621</u>	<u>15,785,430</u>
Retained earnings December 31	<u><u>\$104,676,969</u></u>	<u><u>\$ 97,206,308</u></u>

(Notes to financial statements appear on page 19)

NATIONAL BISCUIT COMPANY AND CONSOLIDATED SUBSIDIARIES

Notes to Financial Statements

(a) Inventories of raw materials, supplies and finished product are stated at cost or market, whichever is lower. The cost of certain commodities is computed on the last-in, first-out (lifo) method. Inventories comprise

	1959	1958
Raw materials and supplies	\$ 36,222,047	\$ 35,071,708
Finished product	15,994,803	15,493,362
	<u>\$ 52,216,850</u>	<u>\$ 50,565,070</u>

(b) The increase in mortgages receivable is due to the receipt of a \$5,000,000 purchase money mortgage from Industry City Realty Company resulting from the sale of the Company's New York City properties. The sale included the former General Office building and the Sixteenth Street and Eleventh Avenue bakeries. The mortgage will mature August 1, 1964.

(c) Plants, real estate, machinery and equipment are stated at cost and comprise

	1959	1958
Buildings	\$ 77,596,177	\$ 83,688,121
Machinery and equipment	132,041,599	129,108,639
	<u>209,637,776</u>	<u>212,796,760</u>
Less allowances for depreciation	92,841,679	89,979,584
	<u>116,796,097</u>	<u>122,817,176</u>
Land	4,457,133	7,165,498
	<u>\$121,253,230</u>	<u>\$129,982,674</u>

(d) The financial statements for 1959 include the following U. S. dollar amounts (translated at appropriate rates of exchange) in respect of the consolidated foreign subsidiaries: working capital and deferred charges, \$6,026,385; net plant assets, \$15,702,605; and net income, \$3,137,892.

Report of Auditors

TO THE SHAREHOLDERS OF NATIONAL BISCUIT COMPANY:

We have examined the statements of financial position of National Biscuit Company and consolidated subsidiaries as of December 31, 1959 and 1958, and the related statements of income and retained earnings for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying statements of financial position and income and retained earnings present fairly the financial position of National Biscuit Company and consolidated subsidiaries at December 31, 1959 and 1958, and the results of their operations for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

LYBRAND, ROSS BROS. & MONTGOMERY

New York, February 4, 1960

NATIONAL BISCUIT COMPANY AND CONSOLIDATED SUBSIDIARIES

Ten-Year Financial Review

Dollars in Millions (except per share figures)

	<u>1959</u>	<u>1958</u>
Net sales	\$429.0	\$413.3
Earnings before income taxes	51.2	46.4
Federal and foreign taxes on income	26.7	24.3
Net income	24.5	22.1
Earnings retained in the business	7.5	6.3
Net income per common share	3.57	3.18
Dividends declared		
Preferred stock	1.7	1.7
Common stock	15.3	14.1
Per common share	2.40	2.20
Current assets	112.2	99.0
Current liabilities	46.0	44.5
Working capital	66.2	54.5
Plant and equipment (net)	121.3	130.0
Plant and equipment expenditures	8.4	9.7
Cost of employees' services	140.1	136.2
Provision for all taxes (except social security)	31.5	29.0
Book value of common stock	171.1	163.7
Book value per common share	26.80	25.63
Number of shareholders	75,834	75,702

<u>1957</u>	<u>1956</u>	<u>1955</u>	<u>1954</u>	<u>1953</u>	<u>1952</u>	<u>1951</u>	<u>1950</u>
\$424.5	\$410.5	\$389.6	\$376.4	\$359.0	\$346.5	\$329.9	\$296.4
45.7	41.9	39.2	43.2	40.8	39.7	33.2	39.4
23.6	21.6	20.9	23.3	22.7	21.9	17.0	18.3
22.1	20.3	18.3	19.9	18.1	17.8	16.2	21.1
6.3	5.8	3.8	5.5	3.8	3.5	1.9	6.8
3.18	2.90	2.59	2.85	2.61	2.56	2.30	3.08
1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7
14.1	12.8	12.8	12.7	12.6	12.6	12.6	12.6
2.20	2.00	2.00	2.00	2.00	2.00	2.00	2.00
92.0	95.1	94.8	102.5	95.2	94.5	89.0	94.6
46.9	45.0	46.5	48.7	43.8	44.3	38.0	35.3
45.1	50.1	48.3	53.8	51.4	50.2	51.0	59.3
133.0	123.3	120.1	112.1	105.7	104.4	96.4	86.4
21.6	15.7	18.1	15.2	9.8	16.3	17.8	12.2
135.6	133.5	130.3	126.6	126.4	121.3	114.1	100.9
28.1	25.8	25.0	27.1	26.3	25.3	20.5	21.8
157.4	151.1	145.3	141.6	132.5	128.7	125.2	123.3
24.64	23.66	22.76	22.17	21.07	20.47	19.91	19.61
75,603	72,262	70,281	69,829	69,961	69,045	66,682	63,871

